



OFFICE OF ADVOCACY FACTSHEET

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Small Business Economic Indicators for 2002

- After the economic contraction of 2001, 2002 began with a little momentum. The U.S. economy grew slightly in every quarter in 2002. Although an expansion had not been officially announced, 2002 showed signs of transition from trends of the previous year.
- Labor market conditions remained weak in 2002. Labor market recovery often lags behind business conditions. The average unemployment rate went from 4.7 percent in 2001 to 5.8 percent in 2002, and nonfarm private employment was 109.5 million in 2002, a decrease of 1.5 million jobs. As in years past, manufacturing continued to shed jobs, but in 2002 services employment also struggled. It grew slightly, in part because of growth in the health services sector, but the traditionally strong business services sector lost 267,100 jobs.
- A labor market that offers limited opportunities often inspires people to take up self-employment. During 2002 self-employment increased from 9.3 million in the first quarter to 10.3 million by the fourth quarter.
- The number of employers in 2002 was similar to 2001, an estimated 5.6 million for both years. Both employer firm births and terminations rose slightly from the previous year, and essentially canceled each other out. Births numbered an estimated 550,100 in 2002 and terminations, 584,500. The number of business bankruptcies fell to 38,155, a 3.9 percent decrease from 2001.
- In addition to problems associated with the general economic conditions, issues related to health insurance were a growing concern for small business in 2002. A small business survey by the National Federation of Independent Business found that the cost and availability of insurance (mainly health) was small businesses' biggest problem by the end of 2002. A survey by the Employee Benefit Research Institute showed that the cost of health care was a primary factor in small firms' health insurance decisions.
- In 2002, small businesses as a group remained cautious. Despite falling interest rates, demand for loans decreased following several years of banks applying strict credit standards. Nevertheless, small businesses may be in a position to expand in the near term. Nonfarm sole proprietors' income increased 4.9 percent, and corporate profits increased 7.6 percent, giving owners the finances and confidence to expand their firms.

Created by Congress in 1976, the Office of Advocacy of the U.S. Small Business Administration is an independent voice for small business within the federal government. Appointed by the President and confirmed by the U.S. Senate, Chief Counsel for Advocacy directs the office. The Chief Counsel advances the views of small business before Congress, the White House, and federal agencies. For more information, visit www.sba.gov/advo or call (202) 205-6533.